

SETTLEMENT AGREEMENT

Bonneville Power Administration 2006 Transmission Rate Case

The undersigned signatories to this Settlement Agreement hereby agree to the following:

1. In the Bonneville Power Administration (BPA) 2006 Transmission Rate Case (Rate Case), the Transmission Business Line (TBL) will submit a proposal (Initial Proposal) commencing the rate process for the period FYs 2006-2007 (Rate Period) that reflects the Transmission and Ancillary Service rates shown in Attachment 1.
2. Redispatch
 - a. The signatories recognize and agree that there is value associated with the redispatch of hydro-electric resources and other generation. BPA will develop information during the Rate Period regarding the amount of and reason for redispatch requested by TBL and the amounts and locations of redispatch provided by the Power Business Line (PBL). BPA will provide all such information developed to any party requesting it. During the Rate Period, BPA will also work to develop a method or methods to appropriately value redispatch associated with hydro-electric resources. BPA will discuss the proposed methods with and take comments from customers in rate case workshops or other public policy forums.
 - b. The revised Open Access Transmission Tariff (OATT) Attachment K (shown in Attachment 2 to this Settlement Agreement) will replace the existing Attachment K. The TBL will compensate the PBL for redispatch services associated with Attachment K by paying PBL \$1.5 million per year in FY 2006 and FY 2007 for all such services provided during such period. This payment by TBL to PBL is recovered solely through the NT Load Shaping charge. In the interest of reaching a settlement the signatories have agreed to this amount of compensation to the BPA PBL for providing redispatch during the Rate Period. However, nothing in this Settlement Agreement nor actions taken pursuant to section 2.a, above, will serve as a precedent for any methodology for implementing or valuing redispatch for future rate periods, or for the purpose of determining the rights of an RTO or any other regional transmission provider to require redispatch.
 - c. TBL will submit the revised Attachment K (Attachment 2 to this Settlement Agreement) to the Federal Energy Regulatory Commission (FERC) as a proposed amendment to BPA's Open Access Transmission Tariff, and will request that it be effective as of October 1, 2005. The signatories agree not to challenge the approval of the revised Attachment K by FERC, and, if FERC approves the revised Attachment K without change, the signatories agree not to challenge such approval in any judicial forum.
3. NT Customer-Served Load

The Initial Proposal will add the following language to the end of the definition of Declared Customer-Served Load in the NT rate schedule: "Declared Customer-Served Load shall not exceed the annual amounts and shall be limited to the resources and contracts specified in the Service Agreement on October 1, 2005."

TBL currently intends to eliminate Customer-Served Load effective on October 1, 2011. Prior to that time, TBL agrees to work with interested customers to determine the most

appropriate mechanism, if any, to recognize the contribution that local Network Resources make to the need for an adequate transmission system, and to determine whether a transition mechanism is appropriate for NT customers that currently serve Customer Served Load with such resources.

4. Effective on the date that TBL signs this Settlement Agreement, BPA will apply the pricing methodologies contained in FERC Order 2003-A for determining, funding, and allocating the costs of: Network Upgrades; Distribution Upgrades, if any; and Interconnection Facilities. TBL's Initial Proposal will include the revised AF rate schedule in Attachment 3. The AF rate schedule revisions clarify the availability of the AF rate to implement Order 2003-A.
5. For the period October 1, 2005 until September 30, 2007, PBL agrees to charge its GTA Delivery Charge customers the same rate as the TBL Delivery Charge agreed to in this Settlement Agreement. BPA will include the proposal for such PBL charge in the Initial Proposal. The GTA Delivery Charge for post-September 30, 2007 will be determined in the 2007 PBL rate case. PBL commits to address the GTA Delivery Charge either in a PBL rates workshop or other policy forum prior to commencement of the 2007 PBL rate case.
6. Reactive Supply and Voltage Control from Generation Sources Service (Generation Supplied Reactive): BPA agrees to work with customers through its Business Practice Technical Forum process to establish criteria for BPA Transmission Customers to receive credits for self-supplying Generation Supplied Reactive from qualifying non-federal generators, and draft a business practice incorporating the criteria. BPA reserves the right to determine what terms will be contained in the draft Generation Supplied Reactive business practice, and in any final business practice. BPA will use best efforts to post a final Generation Supplied Reactive self-supply business practice by April 1, 2005, for implementation on or before October 1, 2005.
7. TBL's Initial Proposal will include the Failure to Comply Penalty Charge in Attachment 4.
8. Financial Reserves
 - a. BPA expects to use, and the signatories will not object to or otherwise challenge the agency's use of, \$15 million recorded as TBL reserves in each year of the rate period (for a total of \$30 million) as a funding source for transmission capital programs. The foregoing does not prohibit any signatory from objecting to or otherwise challenging the level of TBL capital programs, the specific projects included therein, or the level of expenditures for such project(s);
 - b. The use of TBL reserves as a funding source for transmission capital programs as described in 8.a., above, will be modeled in the calculation and presentation of the revenue requirement in the Rate Case; and
 - c. \$15 million of transmission reserves described in 8.a., above, may be treated by the agency as dedicated to the funding of transmission capital programs and therefore unavailable for use as reserves for any purpose in the determination of the level of the SNCRAC for FY 2006.
9. Hourly Nonfirm

TBL's Initial Proposal will include the language in Attachment 5.

10. Conditional Firm

BPA will work to develop a "conditional firm product" that includes long term duration and seasonal firm service in months as may be available. The product would also address elements such as curtailment priority during the months that firm ATC is not available, and how much new long-term and short-term firm service can be sold on BPA's system. BPA also commits to running an expedited 7(i) process to price this product should one be necessary for implementation, as well as any necessary filings or approvals.

11. Formula Rates for Generation Inputs

TBL's Initial Proposal will include formula rates consistent with the methodology described in Attachment 6 to recover the FY 2007 generation input costs adopted in the 2007 PBL rate case.

12. Formula Rates for Reactive Supply and Voltage Control from Generation Sources Service

TBL's Initial Proposal will include formula rates to: (a) recover the generation input costs of Reactive Supply and Voltage Control from Generation Sources Service adopted in the 2007 PBL rate case; (b) recover the costs of Reactive Supply and Voltage Control from Generation Sources Service charged TBL by generators according to FERC approved rates; and (c) reflect the self-supply of Reactive Supply and Voltage Control from Generation Sources Service by transmission customers. The rates will adjust quarterly to include known changes in the above three items as well as any underrecovery or overrecovery from the previous quarter. Formula rates will be proposed for the ACS Reactive Supply and Voltage Control from Generation Sources Service rate, the IR rate and the FPT-06.1 rate.

13. Redirected Service

Due to the per unit rate differences between Long-Term and Short-Term services, the PTP, IS and IM rate schedules in the Initial Proposal will be modified to include the following language:

Section III.C. Redirect Service

Redirecting Long-Term Firm PTP to Short-Term Firm PTP service will not result in an additional charge if the capacity reservation does not exceed the amount reserved in the existing service agreement.

14. The signatories agree not to contest any aspect of the TBL's Initial Proposal, including but not limited to the level of any transmission or ancillary or control area services rate or any of the elements thereof, the methodologies and principles used to derive such rates, or any aspect of the rate schedules, or any general rate schedule provision, and agree to waive their rights to cross-examination and discovery with respect thereto. If, however, the TBL does not submit an Initial Proposal consistent with the terms of this Settlement Agreement, the signatories may contest any aspect of the TBL's proposal.

15. If no party in the Rate Case contests any aspect of the TBL Initial Proposal, the TBL will propose to the Administrator that he adopt the TBL's Initial Proposal and establish rates consistent therewith.

16. The signatories will move the Hearing Officer to specify a date within a reasonable time of the prehearing conference by which any party to the Rate Case that has not executed this Settlement Agreement (a) must object to the settlement proposed in this Settlement Agreement and identify each issue such party chooses to preserve for hearing; or (b) be deemed to have waived any right to object to the settlement proposal or preserve issues for hearing. If no party objects to the settlement proposal and preserves issues for hearing, the TBL shall propose to the Administrator that he adopt the Initial Proposal in its entirety. In the event that any party does so object, the TBL may, but shall not be required to, revise the Initial Proposal as it believes appropriate, either after such party states its objection or after parties file their direct testimony. If the TBL decides not to revise its Initial Proposal, the TBL will propose to the Administrator that he adopt the Initial Proposal in its entirety. If the TBL decides to revise, or otherwise departs from, its Initial Proposal, the TBL and the parties will meet promptly to discuss a new procedural schedule that they will propose to the Hearing Officer, allowing the TBL a reasonable time in which to present a revised proposal and the parties a reasonable time to respond to such revised proposal. In that event, the signatories may contest any aspect of TBL's proposal or position.
17. If the TBL submits an Initial Proposal consistent with the terms of this Settlement Agreement, and does not submit a revised proposal pursuant to section 16, the signatories agree not to enter any evidence into the Rate Case or make any argument in the Rate Case contesting any provision of section 36 of BPA's current OATT. If the Administrator establishes transmission rates consistent with the TBL's Initial Proposal and submits such rates to FERC for confirmation and approval, the signatories agree not to make any such argument before the FERC or any judicial forum during the Rate Period.
18. Nothing in this Settlement Agreement is intended in any way to alter the Administrator's authority and responsibility to periodically review and revise the Administrator's transmission rates or the signatories' rights to challenge such revisions.
19. If the Administrator establishes transmission rates consistent with the Initial Proposal and submits such rates to FERC for confirmation and approval only under the applicable standards of the Northwest Power Act and as part of a reciprocity filing, the signatories agree not to challenge such confirmation and approval of such rates or any element thereof, including the methodologies and principles used to establish such rates, or support or join any such challenge, and agree not to challenge such rates or any element thereof, including the methodologies and principles used to establish such rates, in any judicial forum. In addition, BPA's commitment in sections 2, 5, 6 and 10 of this Settlement Agreement shall apply only if the Administrator establishes rates consistent with the Initial Proposal and submits such rates to FERC for confirmation and approval.
20. The signatories agree that they will not assert in any forum that anything in this Settlement Agreement or any action with regard to this Settlement Agreement taken or not taken by any signatory, the Hearing Officer, the Administrator, FERC, or a court, creates or implies any procedural or substantive precedent or creates or implies agreement to any underlying principle or methodology, or creates any precedent under any contract between BPA and any signatory.
21. By executing this Settlement Agreement, no signatory waives any right to pursue BPA OATT dispute resolution procedures consistent with BPA's OATT (including without limitation any

complaint concerning implementation of BPA's OATT) or any claim that a particular charge, methodology, practice or rate schedule has been improperly applied.

22. Nothing in this Settlement Agreement amends any contract or modifies rights or obligations or limits the remedies available thereunder.

This Settlement Agreement may be executed in counterparts.

_____ for

Party

Date _____

Attachment 1

Summary of Rate Level Changes

		(A)	(B)	(C)	(D)	
		Current	2004 Rates	Settlement 2006 Rates	Percent Change (C)/(A)	
			FPT-04.3		(percent)	
FPT-06.1 and FPT-06.3		FPT-04.1	FY 2005	FPT-06.1		
1	M-G Distance.....	\$/kW-mi-yr	0.0511	0.0518	0.0581	13.7%
2	M-G Miscellaneous Facilities.....	\$/kW-yr	2.91	2.96	3.31	13.7%
3	M-G Terminal.....	\$/kW-yr	0.59	0.60	0.67	13.6%
4	M-G Interconnection Terminal.....	\$/kW-yr	0.53	0.54	0.60	13.2%
5	S-S Transformation.....	\$/kW-yr	5.49	5.57	6.24	13.7%
6	S-S Interconnection Terminal.....	\$/kW-yr	1.50	1.52	1.71	14.0%
7	S-S Intermediate Terminal.....	\$/kW-yr	2.12	2.15	2.41	13.7%
8	S-S Distance.....	\$/kW-mi-yr	0.5021	0.5095	0.5709	13.7%
9	Overall FPT Rate.....	\$/kW-yr	13.30	8.73	15.13	13.8%
10	Overall FPT Rate.....	\$/kW-mo	1.109	0.728	1.261	13.7%
IR-06						
11	Demand.....	\$/kW-mo	1.261	1.484	17.7%	
NT-06						
12	Base Rate (\$/kW-mo).....	\$/kW-mo	1.028	1.216	18.3%	
13	Load Shaping (\$/kW-mo).....	\$/kW-mo	0.425	0.367	-13.6%	
14	Base plus Load Shaping.....	\$/kW-mo	1.453	1.583	8.9%	
PTP-06						
15	Demand.....	\$/kW-mo	1.028	1.216	18.3%	
16	Daily Block 1 (day 1 thru 5).....	\$/kW-day	0.047	0.056	19.1%	
17	Daily Block 2 (day 6 and beyond).....	\$/kW-day	0.035	0.043	22.9%	
18	Hourly.....	mills/kWh	2.96	3.50	18.2%	
Utility Delivery						
19	Demand.....	\$/kW-mo	0.946	1.119	18.3%	
IS-06						
20	Demand.....	\$/kW-mo	1.176	1.211	3.0%	
21	Daily Block 1 (day 1 thru 5).....	\$/kW-day	0.054	0.056	3.7%	
22	Daily Block 2 (day 6 and beyond).....	\$/kW-day	0.040	0.042	5.0%	
23	Hourly.....	mills/kWh	3.39	3.48	2.7%	
IM-06						
24	Demand.....	\$/kW-mo	1.258	1.230	-2.2%	
25	Daily Block 1 (day 1 thru 5).....	\$/kW-day	0.058	0.057	-1.7%	
26	Daily Block 2 (day 6 and beyond).....	\$/kW-day	0.042	0.040	-4.8%	
27	Hourly.....	mills/kWh	3.61	3.54	-1.9%	

Attachment 1

Summary of Rate Level Changes

		(A)	(B)	(C)	(D)
	Units	Current	2004 Rates FPT-04.3	Settlement 2006 Rates	Percent Change (C)/(A) (percent)
Intertie East					
28	IE-06.....	mills/kWh	1.38	1.13	-18.1%
Power Factor Penalty Charge					
29	Demand -- Lagging.....	\$/kVAr-mo	0.28	0.28	0.0%
30	Demand -- Leading.....	\$/kVAr-mo	0.24	0.24	0.0%
Scheduling Control and Dispatch					
31	Demand.....	\$/kW-mo	0.166	0.203	22.3%
32	Daily Block 1 (day 1 thru 5).....	\$/kW-day	0.008	0.010	25.0%
33	Daily Block 2 (day 6 and beyond).....	\$/kW-day	0.005	0.006	20.0%
34	Hourly.....	mills/kWh	0.48	0.59	22.9%
Generation Supplied Reactive					
35	Demand.....	\$/kW-mo	0.067	0.068	1.5%
36	Daily Block 1 (day 1 thru 5).....	\$/kW-day	0.003	0.003	0.0%
37	Daily Block 2 (day 6 and beyond).....	\$/kW-day	0.002	0.002	0.0%
38	Hourly.....	mills/kWh	0.19	0.19	0.0%
Regulation and Frequency Response					
39	Hourly.....	mills/kWh	0.30	0.32	6.7%
Energy Imbalance					
40	Hourly.....	mills/kWh	100.00	100.00	
Operating Reserves					
41	Spinning.....	mills/kWh	8.39	7.93	-5.5%
42	Supplemental.....	mills/kWh	8.39	7.93	-5.5%
GTA Delivery					
43	Demand.....	\$/kW-mo	0.946	1.119	18.3%

Attachment 2

Open Access Transmission Tariff Revised Attachment K

For the period October 1, 2005, through September 30, 2007, to the extent the Transmission Provider determines that redispatch of Network Resources is necessary to maintain Network Integration Transmission (NT) Service, the Transmission Provider shall implement redispatch in accordance with the provisions of this Attachment K. Attachment K addresses only circumstances in which the Tariff requires NT and Point-to-Point (PTP) uses on a constraint be reduced on a comparable basis.

1. The Transmission Provider shall not issue redispatch instructions under this Attachment K to increase ATC.
2. The BPA Power Business Line (PBL) will inform the Transmission Provider of all non-power constraints that limit the PBL's ability to redispatch generation resources. The Transmission Provider will not violate these non-power constraints unless an emergency situation leaves no other alternative for maintaining system reliability or providing safety to individuals or property. Notwithstanding any other provision of Attachment K, the protection of transmission system reliability and the safety of people and property will be the primary criteria the Transmission Provider will use in an emergency situation.
3. PBL will provide the Transmission Provider federal hydroelectric generation resource set points. The Transmission Provider may request changes to such set points. Not all changes to set points are redispatch.
4. For redispatch that occurs within the hour of delivery:

If the Transmission Provider determines that a redispatch of federal hydro-electric projects is necessary to maintain the reliability of the FCRTS in real-time and the Transmission Provider is unable to calculate the portion of the constraint attributable to NT schedules, the Transmission Provider may redispatch the federal hydro-electric projects as necessary to relieve the constraint for the remainder of the hour and, if the event occurs twenty minutes past the hour, for the next hour also. However, the Transmission Provider must make the determination described in section 5 as soon as possible, not to exceed 100 minutes after the need for redispatch arises, and adjust the redispatch instructions accordingly.

5. For Day-ahead and Hour-ahead redispatch:
 - a. The Transmission Provider will use redispatch only to manage congestion on the FCRTS that would impact NT schedules. The Transmission Provider will redispatch the system only to the extent necessary to maintain the NT schedules.
 - b. The Transmission Provider will not issue any redispatch instructions until it has curtailed all non-firm schedules across the constrained path.
 - c. If the Transmission Provider determines that a constraint can be relieved by redispatching federal hydro-electric projects, the Transmission Provider will determine what portion of the constraint is caused by NT schedules and what portion is caused by PTP schedules. Then the Transmission Provider will issue a redispatch instruction in an amount that will relieve the NT portion of the constraint and will curtail the PTP schedules in an amount necessary to relieve the PTP portion of the constraint.
 - d. If the Transmission Provider determines that the portion of the constraint caused by NT schedules cannot be relieved by only redispatching federal hydro-electric projects, the Transmission Provider will contact the PBL schedulers and inform the PBL schedulers of the amount of NT schedules associated with the constraint. The PBL schedulers will attempt to relieve the constraint by the least cost means, including, but not limited to, purchasing alternative transmission from a third party, purchasing replacement generation from a third-party and redispatching federal generation accordingly, or requesting third party generation to decrease and using federal generation to replace the third-party generation. In making these arrangements the PBL will act as a purchasing agent for the Transmission Provider.
6. The Transmission Provider will not request redispatch for any purpose under the Tariff other than that stated herein or otherwise required by the Tariff.

Attachment 3

Schedule AF-06 Advance Funding Rate

SECTION I. AVAILABILITY

This schedule supersedes Schedule AF-04 and is available to customers who execute an agreement that provides for BPA-TBL to collect capital and related costs through advance funding or other financial arrangement for specified BPA-owned Federal Columbia River Transmission System (FCRTS) facilities used for:

- A.** Interconnection or integration of resources and loads to the FCRTS;
- B.** Upgrades, replacements, or reinforcements of the FCRTS for transmission service; or
- C.** Other transmission service arrangements, as determined by BPA-TBL.

Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

SECTION II. RATE

The charge is:

- A.** The sum of the actual capital and related costs for specified FCRTS facilities, as provided in the agreement. Such actual capital and related costs include, but are not limited to, costs of design, materials, construction, overhead, spare parts, and all incidental costs necessary to provide service as identified in the agreement; or
- B.** An advance payment equal to the sum of the capital and related costs for specified FCRTS facilities, as provided in an agreement. A credit for some or all of the amount advanced will be applied against charges for transmission service, as provided in the agreement. The charges for transmission service shall be at the rate for the applicable transmission service.

SECTION III. PAYMENT

A. ADVANCE PAYMENT

Payment to BPA-TBL shall be specified in the agreement as either:

- 1.** A lump sum advance payment;
- 2.** Advance payments pursuant to a schedule of progress payments; or
- 3.** Other payment arrangement, as determined by BPA-TBL.

Such advance payment or payments shall be based on an estimate of the capital and related costs for the specified FCRTS facilities as provided in the agreement.

B. ADJUSTMENT TO ADVANCE PAYMENT

For rates under II.A., BPA-TBL shall determine the actual capital and related costs of the specified FCRTS facilities as soon as practicable after the date of commercial operation, as determined by BPA-TBL. The customer will either receive a refund from BPA-TBL or be billed for additional payment for the difference between the advance payment and the actual capital and related costs.

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Attachment 4

FAILURE TO COMPLY PENALTY CHARGE

If a party fails to comply with the BPA-TBL's curtailment, redispatch, or load shedding orders, the party will be assessed the Failure to Comply Penalty Charge.

Parties who are unable to comply with a curtailment, load shedding, or redispatch order due to a force majeure on their system will not be subject to this penalty provided that they immediately notify the BPA-TBL of the situation upon occurrence of the force majeure.

1. RATE

The rate shall be the highest of:

- a.** 100 mills per kilowatthour;
- b.** any costs incurred by the BPA-TBL in order to manage the reliability of the FCRTS due to the failure to comply;
- c.** an hourly market price index plus 10%.

The hourly market price index will be the larger of the California ISO Real-Time Hourly Average Energy Price or the Dow Jones Mid-Columbia Firm Index Price for the hour(s) when the failure to comply occurred.

2. BILLING FACTORS

The Billing Factor shall be the kilowatthours that were not curtailed or redispatched in any of the following situations:

- a.** Failure to shed load when directed to do so by BPA-TBL in accordance with the Load Shedding provisions of the Open Access Transmission Tariff or any other applicable agreement between the parties. This includes failure to shed load pursuant to such orders within the time period specified by the North American Electric Reliability Council (NERC), Western Electricity Coordinating Council (WECC), or Northwest Power Pool (NWPP) criteria.
- b.** Failure of a generator in the BPA Control Area or which directly interconnects to the FCRTS to change generation levels when directed to do so by the BPA-TBL. This includes failure to change generation levels pursuant to such orders within the time period specified by NERC, WECC, or NWPP criteria.
- c.** Failure to curtail or redispatch a reservation or schedule or failure to curtail or redispatch actual transmission use of the Contract or Service Agreement when directed to do so by the BPA-TBL in accordance with the curtailment or redispatch provisions of the Open Access Transmission Tariff or any other applicable agreement between the parties. This includes failure to curtail or redispatch pursuant to such scheduling protocols or orders within the time period specified by NERC, WECC, or NWPP criteria.

Attachment 5

Rate Schedule Language: Hourly Nonfirm Service ¹

The language in quotation marks will be included in the following rate schedules in the Initial Proposal: PTP; IS; IM; ACS Scheduling, System Control and Dispatch; ACS Reactive Supply and Voltage Control from Generation Sources.

I. Billing Factor

"The Billing Factor for the rate specified in section ____² for Hourly Non-Firm Service shall be the scheduled kilowatthours."

"Upon 60 day's notice by TBL, the Billing Factor for the rate specified in section ____³ for Hourly Non-Firm Service shall become the Reserved Capacity."⁴

II. Interruption/Curtailment

"If Hourly Non-Firm PTP Transmission Service is Curtailed or Interrupted, the Transmission Customer will be charged for actual use during the hour, and not Reserved Capacity. If the Curtailment originates from conditions on another Transmission Provider's Transmission System, no adjustment will be made to the Reserved Capacity billing factor."

¹ The proposed changes to the billing determinants for Hourly Non-firm service would not affect customers' contractual rights to use secondary delivery and receipt points.

² In the PTP rate schedule, the section number will be II.B.2; in the IS rate schedule, the section number will be II.B.2; in the IM rate schedule, the section number will be II.B.2; in the ACS Scheduling, System Control and Dispatch, the section number will be 1.b.(2); and in the ACS Reactive Supply and Voltage Control from Generation Sources rate schedule, the section number will be 1.b.(2).

³ The appropriate section number for this blank correlate with the section numbers as listed in FN 2 above.

⁴ Notice will not be given until TBL determines that the necessary changes have been made to TBL's applicable Business Practices and systems to accommodate the Billing Factor becoming Reserved Capacity.

Attachment 6

I. Regulation and Frequency Response (RFR) Service

Parameters

Known values:

t = Average FY 2006 and 2007 transmission cost allocated to RFR = \$2,128,000

bd = Average FY 2006 and 2007 RFR billing determinant = 43,598,520 MWh

Determined in next power rate case:

P = FY 2007 PBL Generation Input cost for RFR

RFR Rates

FY2006 Rate = 0.32 mills/kWh

FY2007 Rate (calculated prior to FY2007, following power rate case)

$$\frac{t + P}{bd} = \frac{\$2,128,000 + P}{43,598,520 \text{ MWh}}$$

II. Operating Reserves Services (Spinning and Supplemental)

Parameters

Known values:

t = Average FY 2006 and 2007 transmission cost allocated to OR = \$379,000

bd = Average FY 2006 and 2007 OR billing determinant = 1,787,040 MWh

r = Amount of reserves to be acquired from PBL during 2007 = 204.5 MWyr

Determined in next power rate case:

P = FY 2007 PBL Generation Input unit cost for reserves (\$/MWyr)

OR Rates

FY2006 Rate = 7.93 mills/kWh

FY2007 Rate (calculated prior to FY2007, following power rate case)

$$\frac{t + (P \times r)}{bd} = \frac{\$379,000 + (P \times 204.5 \text{ MWyr})}{1,787,040 \text{ MWh}}$$